



COUNTY GOVERNMENT OF MOMBASA
COUNTY TREASURY

**MOMBASA COUNTY BUDGET
REVIEW AND OUTLOOK PAPER**

© Budget Review and Outlook Paper (CBROP) 2018

To obtain copies of the document, please contact:

Public Relations Office

Department of Finance and Economic Planning

County Assembly Building

P. O. Box 90440-80100

MOMBASA, KENYA

Tel: +254-41-2311531

Fax: +254-41-2311531

countyfinance@mombasa.go.ke

The document is also available on the internet at: www.mombasa.go.ke

Foreword

This County Budget Review and Outlook Paper (CBROP), prepared in accordance with the Public Finance Management Act, 2012 is the sixth to be prepared under the new dispensation and the first one in the second term of the County Government. It presents the recent economic developments and actual fiscal performance of the FY 2017/2018 and makes comparisons to the budget appropriations for the same year. It further provides updated forecasts with sufficient information to show changes from the projections outlined in the latest County Fiscal Strategy Paper (CFSP), released in February 2018. In this Paper, we will also provide an overview of how the actual performance of the FY 2017/2018 affected the County's compliance with the fiscal responsibility principles and the financial objectives as detailed in the 2018 CFSP.

This is the first CBROP that has been prepared within the last County Integrated Development Plan 2013-2017 as the County embarks on implementation of the second generation County Integrated Development Plan 2018-2022 that outlines the County's planning framework that will guide county programmes budgeting, project funding, monitoring and evaluation.

In this CBROP the County is re-emphasizing the Government's fiscal policy strategy, which focuses on maintaining a strong revenue effort and shifting composition of expenditure from recurrent to productive capital expenditures and optimally ensuring efficiency and effectiveness in the use of public resources. A strategy that recognizes the need to strike a balance between growth and fiscal sustainability, with emphasis on higher investments in the social sectors and infrastructure development for a stronger and more durable growth.

As outlined in the CFSP, the development agenda will be implemented through the five major priority sectors; Increased accessibility to water, improved health services, provision of quality education, Youth, Sports & Gender empowerment, Improved Land Services and investing in infrastructure development. The implementation of programs under these strategic sectors is expected to raise efficiency and Productivity in the County's economy and in turn accelerate and sustain inclusive growth, create opportunities for productive growth and ensure high standards of living for Mombasa County residents.

The County Treasury will link this CBROP with the other budgetary policy documents as stipulated in the PFM Act.

MS. MARIAM MBARUK

COUNTY EXECUTIVE COMMITTEE MEMBER

FINANCE AND ECONOMIC PLANNING

Acknowledgement

This policy document is prepared in line with the provisions of the Public Financial Management Act, 2012 Article 118(1) (a). The preparation of this County Budget Review and Outlook Paper continues to be a collaborative effort from an array of expertise of professionals in the County Treasury. The information in this policy document has been obtained from the Mombasa County Treasury. We are grateful for their inputs.

Immense appreciation goes to the Executive Member for Finance and Economic Planning for the good will and guidance provided during the entire period of preparation of this document. A core team from the Accounting and the Budget and Economic Planning units spent significant amount of time consolidating this policy document. We are particularly grateful to Ms. Jane Githui (Director Budget & Economic Planning) and Mr. Affan Mohamed (Head of External Economic Affairs) for working tirelessly in the development of this document.

MS. ASHA ABDI

CHIEF OFFICER

FINANCE AND ECONOMIC PLANNING

Table of Contents

Foreword	3
Acknowledgement	4
Abbreviations and Acronyms	6
Legal Background	7
I. INTRODUCTION	9
II. REVIEW OF FISCAL PERFORMANCE IN 2017/18.....	10
III. OVERVIEW	11
IV. FISCAL PERFORMANCE FOR 2017/18.....	11
LOCAL REVENUE	11
EXCHEQUER ISSUES.....	12
COUNTY DEPARTMENTAL EXPENDITURE.....	14
DETAILED REVENUE ANALYSIS	17
REVENUE ANALYSIS FOR 2017/18 FY	22
Expenditure	23
Overall Balance and Financing	23
Implication of 2017/18 fiscal performance on the set financial objectives.....	23
Updated Expenditure Projections against CFSP'18 Projections, 2018/19- 2020/21	29
V. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK.....	30
Recent Economic Developments	30
Macroeconomic Outlook and Policies.....	33
Inflation Outlook	37
Medium Term Fiscal Framework.....	38
Risks to the Outlook	39
VI. RESOURCE ALLOCATION FRAMEWORK	40
A. Adjustment to 2018/19 Budget	40
B. Medium-Term Expenditure Framework	41
C. Departments Budgets and Programs Prioritization	43
D. 2019/20 Budget Framework	44
VII. CONCLUSION AND WAY FORWARD.....	45
ANNEXES	47

Abbreviations and Acronyms

ADP	Annual Development Plan
BOPA	Budget Outlook Paper
BPS	Budget Policy Statement
BSP	Budget Strategy Paper
CBROP	County Budget Review and Outlook Paper
CG	County Government
CIDP	County Integrated Development Plan
FY	Financial Year
GDP	Gross Domestic Product
GoK	Government of Kenya
KNBS	Kenya National Bureau of Statistics
SDG	Social Development Goals
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
NFA	Net Foreign Assets
NDA	Net Domestic Assets
PERs	Public Expenditure Review
PFM	Public Financial Management
PPP	Public Private Partnership
SBP	Single Business Permit
SWGs	Sector Working Groups
VAT	Value Added Tax
V 2030	Vision 2030

Legal Background

The County Budget Review and Outlook Paper (CBROP) have been prepared by the County Treasury in accordance with Section 118 of the Public Finance Management (PFM) Act. The Act states that a County Treasury;

- Shall prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and
- Submit the paper to the County Executive Committee by the 30th September of that year.

The main objectives of a CBROP are to specify;

- The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
- The updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper(CFSP);
- Any changes in the forecasts compared with the CFSP;
- How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and
- Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.

In summary, this CBROP is expected to present a review of the fiscal performance for the previous year, 2017/18 financial year.

The CBROP is expected to provide a summary of the national macroeconomic outlook and how this will affect the County's economic performance.

The above statistics would partly provide the basis for the revision of the Financial Year 2018/19 budget in the context of the Supplementary Estimates, as well as setting out the broad fiscal parameters for the next budget and medium term.

The fiscal framework presented in this document provides a strong basis for building our common future under the current constitutional dispensation. The paper also presents an overview of budget financing sources that includes the equitable share, local revenue and grants. In the last section, the paper offers some conclusions and the way forward.

I. INTRODUCTION

1. The law requires CBROP to present the fiscal outcome for the previous financial year and to state how this outcome affects the financial objectives contained in that year's CFSP. In line with the law, this CBROP contains a review of the fiscal performance of the financial year 2017/18, updated macroeconomic forecast, and deviations from the Fiscal Strategy Paper February 2018.
 2. The objective of the CBROP is to provide a review of the previous fiscal performance and how this impacts the financial objectives and fiscal responsibility principles set out in the Fiscal Strategy Paper (CFSP). This together with updated macroeconomic outlook provides a basis for revision of the current budget in the context of Supplementary Estimates and the broad fiscal parameters underpinning the next budget and the medium term. Details of the fiscal framework and the medium term policy priorities will be firmed up in the next Budget Policy Statement (BPS).
 3. The CBROP will be a key document in linking policy, planning and budgeting. The County Government has started the implementation of the County Integrated Development Plan (CIDP) 2018-2022 from which is being implemented through the Annual Development Plan 2018 and the Annual Budget estimates for the 2018-19 financial year.
 4. The PFM Act enacted in 2012 has set high standards for compliance with the Medium Term Expenditure Framework (MTEF) budgeting process. Therefore, it is expected that the sector ceilings for the Third Year of the MTEF provided in the previous CFSP will form the indicative baseline sector ceilings for the next budget of 2019/20. However, following the fiscal outcome of 2017/18 and the updated macroeconomic framework these sector ceilings have been modified as indicated in the annex of this CBROP.
 5. The updated macroeconomic outlook will be firmed up in the next CFSP to reflect any changes in economic and financial conditions. We are committed to maintain the trend of economic growth and development in line with the expectations and commitments
-
-

that the County has made to the people of Mombasa County. Towards this end, we shall ensure there is transparency and accountability by relaying our performance indicators to the public as well as publicizing other publications as required by the Constitution and the Public Finance Management Act.

II. REVIEW OF FISCAL PERFORMANCE IN 2017/18

6. This section is meant to review how the actual financial performance for the 2017/18 financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year.
7. In line with the Constitution, the Public Financial Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. The PFM law (Section 15) states that:
 - a) Over the medium term, a minimum of 30% of the budget shall be allocated to development expenditure
 - b) The Government's expenditure on wages and benefits for public officers shall not exceed a percentage of the Government revenue as prescribed by the regulations (35%) as per the Public Finance Management Regulations 2015.
 - c) Over the medium term, the Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure
 - d) Public debt and obligations shall be maintained at a sustainable level as approved by County Assembly (CG)
 - e) Fiscal risks shall be managed prudently
 - f) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

III. OVERVIEW

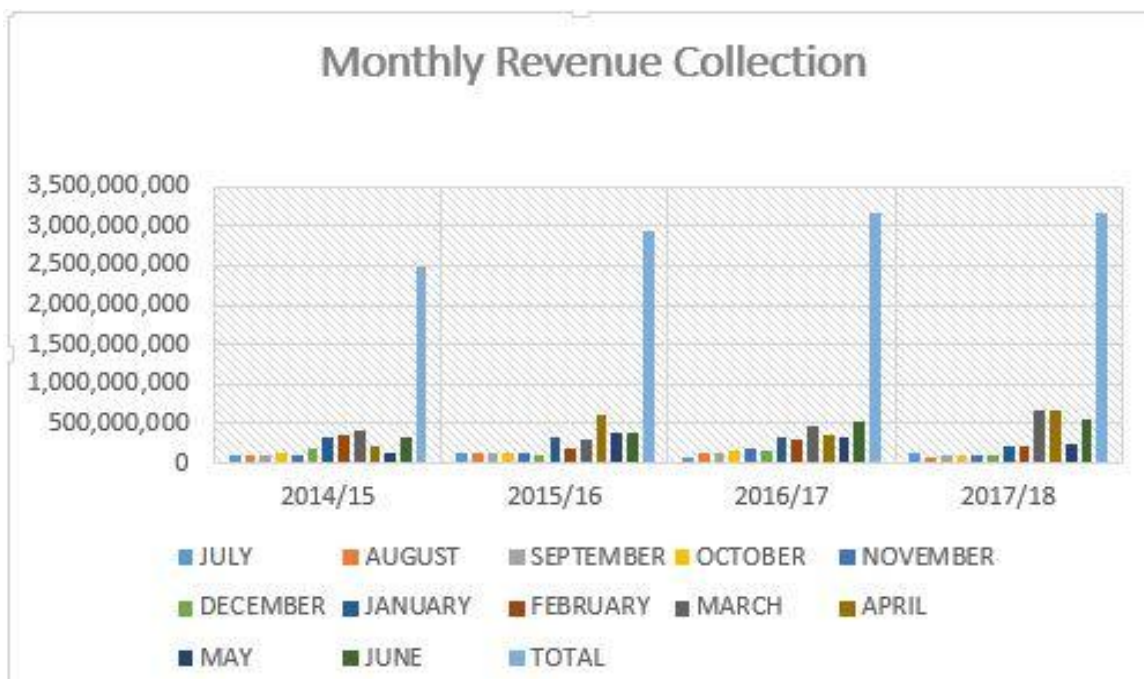
The fiscal performance in 2017/18 is on an upward tread continuously like other financial years, despite lack of realization of local revenue against the projected collection in the budget. The County was able to implement Kshs. 11,385,383,748 which comprises of 91 percent of the supplementary budget of Kshs. 12,513,800,701, out of which 97 percent was recurrent expenditure of Kshs. 8,422,555,342 and 78 percent being development expenditure of Kshs 2,962,828,406. In view of the above the County had a 9 percent budget deficit of Kshs. 1,128,416,953.

IV. FISCAL PERFORMANCE FOR 2017/18

LOCAL REVENUE

Table 1: Local Revenue Collection Over Four Financial Years

MONTH	2014/15	2015/16	2016/17	2017/18
JULY	104,030,972	138,888,662	78,327,409	128,948,779
AUGUST	93,759,799	121,870,568	138,978,980	79,974,633
SEPTEMBER	95,400,916	123,410,370	134,037,320	98,958,707
OCTOBER	116,757,916	115,703,161	160,474,776	91,999,794
NOVEMBER	102,318,612	122,057,894	183,999,072	90,326,887
DECEMBER	191,916,082	115,254,598	151,828,812	88,025,962
JANUARY	336,767,628	337,339,057	321,392,757	218,656,932
FEBRUARY	346,773,579	200,260,788	303,286,028	202,052,628
MARCH	413,101,785	308,215,252	469,422,317	677,958,599
APRIL	211,348,633	612,075,951	365,071,728	677,126,092
MAY	143,751,841	376,582,733	328,912,588	254,091,979
JUNE	335,754,884	371,871,652	530,509,174	551,010,104
TOTAL	2,491,655,330	2,943,530,686	3,166,240,961	3,168,013,709



Source: Table 1

EXCHEQUER ISSUES

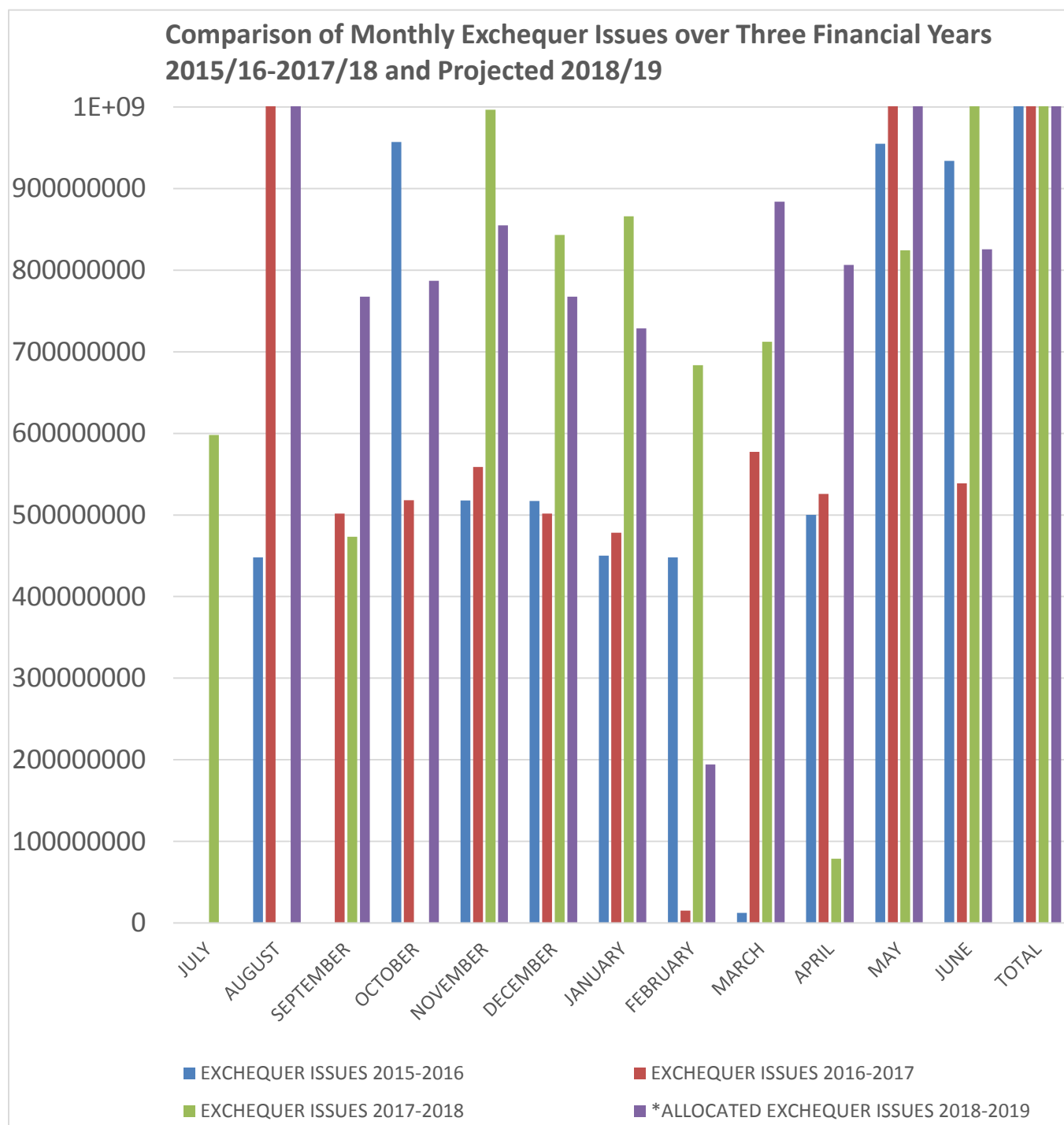
8. Exchequer issues from the National Government increased over the last three financial years as shown below.

Table 2: Monthly Exchequer Issues Over Three Financial Years

	KSHS.	KSHS.	KSHS.	KSHS.
MONTH	EXCHEQUER ISSUES 2015-2016	EXCHEQUER ISSUES 2016-2017	EXCHEQUER ISSUES 2017-2018	*ALLOCATED EXCHEQUER ISSUES 2018-2019
JULY	0	0	597,970,752	0
AUGUST	448,064,387	1,037,748,641	0	1,583,472,708
SEPTEMBER	0	501,676,603	473,286,618	767,449,963
OCTOBER	957,032,726	518,083,015	0	786,879,076
NOVEMBER	517,858,857	558,883,251	996,790,289	854,880,971
DECEMBER	517,237,435	501,676,603	843,101,778	767,449,963
JANUARY	450,078,941	478,282,890	866,001,087	728,591,737
FEBRUARY	448,064,387	15,105,000	683,706,112	194,291,130
MARCH	12,399,574	577,456,833	712,190,289	884,024,641
APRIL	500,043,327	525,787,311	78,786,439	806,308,189
MAY	955,030,610	1,111,343,905	824,219,384	1,515,470,813
JUNE	933,956,255	538,706,387	2,786,366,845	825,737,302
TOTAL	5,739,766,499	6,364,750,439	8,862,419,593	9,714,556,493

EXCHEQUER ISSUES

Exchequer issues from the National Government increased over the last three financial year



Source: Table 2

COUNTY DEPARTMENTAL EXPENDITURE

10. The figures and tables below portray the County departmental utilization of funds in terms of development and recurrent expenditure. They present the fiscal performance for the FY 2017/18 and the deviations from the Original and Revised budget estimates.

Table 3: Departmental %Age Expenditure As Compared to the Total Budget

2017/2018 DEPARTMENTAL RECURRENT EXPENDITURE

S/NO	DEPARTMENTS	Approved Budget FY 2017/2018	Supplementary Budget 2017/2018	Total Recurrent Expenditure	%age
3011	County Executive	396,640,017	467,423,250	378,301,305	81%
3012	County Assembly	716,768,285	667,637,636	525,366,107	79%
3013	Public Service Board	136,119,894	96,256,575	81,523,719	85%
3014	Finance & Economic Planning	1,118,934,530	1,398,745,546	1,527,872,242	109%
3015	Energy, Environment & Waste Management	467,992,811	583,590,904	466,677,689	80%
3016	Education, Information Technology & MV 2035	800,809,352	537,270,997	449,027,745	84%
3017	Health Services	2,520,449,992	2,655,323,757	3,087,749,268	116%
3018	Water, Sanitation & Natural Resources	138,429,394	92,290,586	69,976,388	76%
3019	Youth, Gender , Sports and Cultural Affairs	266,825,511	201,213,382	149,315,697	74%
3020	Trade, Tourism & Investment	445,316,159	281,439,236	225,143,300	80%
3021	Lands, Housing and Physical Planning	230,773,242	170,303,830	128,732,927	76%
3022	Transport & Infrastructure	500,807,858	553,004,718	462,102,968	84%
3023	Agriculture, Fisheries, Livestock and Co-operatives	208,929,527	167,107,214	137,386,866	82%
3026	Devolution and Public Service Administration	660,626,564	840,999,139	733,379,120	87%
	TOTAL	8,609,423,136	8,712,606,770	8,422,555,342	97%

2017/2018 DEPARTMENTAL DEVELOPMENT EXPENDITURE

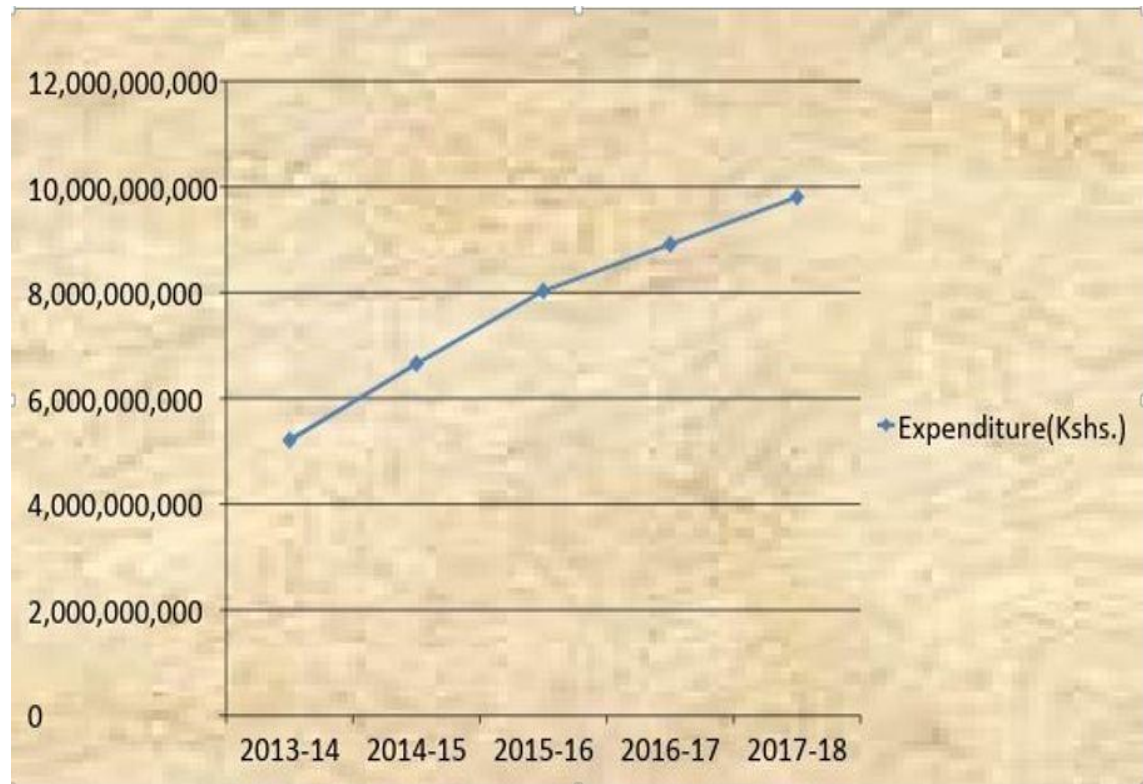
S/NO	DEPARTMENTS	Original Budget FY 2017/2018	Supplementary Budget FY 2017/2018	Total Development Expenditure	%age
3011	County Executive	86,895,979	51,476,780	24,778,518	48%
3012	County Assembly	0	0	0	0%
3013	Public Service Board	20,925,803	2,172,605	1,719,035	79%
3014	Finance & Economic Planning	701,096,095	1,014,197,786	797,585,387	79%
3015	Energy, Environment & Waste Management	56,452,690	116,508,000	53,152,076	46%
3016	Education, Information Technology & MV 2035	370,414,890	80,335,802	55,174,830	69%
3017	Health Services	531,581,774	131,193,049	108,582,448	83%
3018	Water, Sanitation & Natural Resources	352,650,000	44,167,968	27,801,952	63%
3019	Youth, Gender , Sports and Cultural Affairs	287,179,499	272,532,129	194,046,029	71%
3020	Trade, Tourism & Investment	131,171,827	6,947,040	3,181,719	46%
3021	Lands, Housing and Physical Planning	427,709,866	198,990,569	159,757,785	80%
3022	Transport & Infrastructure	691,205,663	1,733,031,277	1,471,482,134	85%
3023	Agriculture, Fisheries, Livestock and Co-operatives	150,401,161	131,055,041	50,402,764	38%
3026	Devolution and Public Service Administration	120,340,000	18,585,885	15,163,728	82%
	TOTAL	3,928,025,247	3,801,193,931	2,962,828,406	78%

2017/2018 TOTAL DEPARTMENTAL EXPENDITURE

	DEPARTMENTS	Approved Budget FY 2017/2018	Supplementary Budget FY 2017/2018	Total Expenditure	%age
3011	County Executive	483,535,996	518,900,030	403,079,824	78%
3012	County Assembly	716,768,285	667,637,636	525,366,107	79%
3013	Public Service Board	157,045,697	98,429,180	83,242,754	85%
3014	Finance & Economic Planning	1,820,030,625	2,412,943,332	2,325,457,628	96%
3015	Energy, Environment & Waste Management	524,445,501	700,098,904	519,829,766	74%
3016	Education, Information Technology & MV 2035	1,171,224,242	617,606,799	504,202,575	82%
3017	Health Services	3,052,031,766	2,786,516,806	3,196,331,716	115%
3018	Water, Sanitation & Natural Resources	491,079,394	136,458,554	97,778,340	72%
3019	Youth, Gender , Sports and Cultural Affairs	554,005,010	473,745,511	343,361,726	72%
3020	Trade, Tourism & Investment	576,487,986	288,386,276	228,325,019	79%
3021	Lands, Housing and Physical Planning	658,483,108	369,294,399	288,490,712	78%
3022	Transport & Infrastructure	1,192,013,521	2,286,035,995	1,933,585,102	85%
3023	Agriculture, Fisheries, Livestock and Co-operatives	359,330,688	298,162,255	187,789,630	63%
3026	Devolution and Public Service Administration	780,966,564	859,585,024	748,542,848	87%
	TOTAL	12,537,448,384	12,513,800,701	11,385,383,748	91%

Table 4: GROWTH OF EXECUTIVE EXPENDITURE FROM 2013/14-2017/18

DEPARTMENTS	2013/2014	2014/15	2015/16	2016/17	2017/18
County Executive	5,209,822,896	929,699,966	775,487,598	289,680,017	403,079,824
Public Service Board		55,377,190	42,201,643	47,783,171	83,242,754
Finance & Economic Planning		1,819,878,254	1,777,993,324	2,276,991,615	2,325,457,628
Environment, Waste Management and Energy		63,501,521	111,733,374	70,677,866	519,829,766
Education, Information Technology & MV 2035		307,844,255	457,102,717	1,033,070,417	504,202,575
Health Services		1,396,970,317	2,285,276,810	2,532,325,353	3,196,331,716
Water, Sanitation & Natural Resources		612,064,144	492,269,532	73,447,595	97,778,340
Youth, Gender , Sports and Cultural Affairs		138,261,355	189,016,828	369,715,814	343,361,726
Trade, Tourism & Investment		330,004,554	289,892,019	186,241,760	228,325,019
Lands, Housing and Physical Planning		144,036,335	323,902,738	185,971,683	288,490,712
Transport & Infrastructure		701,982,041	1,175,521,171	1,731,846,854	1,933,585,102
Agriculture, Fisheries, Livestock and Co-operatives		158,579,193	110,007,203	116,645,971	187,789,630
Devolution & Public Service Administration					748,542,848
TOTAL	5,209,822,896	6,658,199,125	8,030,404,957	8,914,398,116	10,860,017,640
Percentage Increase from Year 2013/14		28%	54%	71%	92%

GROWTH OF EXPENDITURE FROM 2013/14-2017/18

DETAILED REVENUE ANALYSIS

1. TOTAL EXCHEQUER ISSUES 2017-18

FINANCE AND ECONOMIC PLANNING	ANNUAL BUDGETED	GRAND TOTALS.
Equitable Share	8,154,000,000	8,154,000,000
FINANCE AND ECONOMIC PLANNING-National Government Equitable Share	8,154,000,000	8,154,000,000
Level5 Hospital Grant	388,439,306	388,439,306
user fees forgone	23,385,934	23,514,312
DANIDA	23,261,504	23,261,504
COUNTY HEALTH	435,086,744	435,215,122
World Bank-KDSP Level 1	49,809,062	49,809,062
World Bank-THUSCP	34,355,302	10,736,032
	84,164,364	60,545,094
Road maintenance levy Grant	221,465,275	182,073,057
TRANSPORT ROAD AND INFRASTRUTURE	221,465,275	182,073,057
Development of Youth Polytechnics	30,586,320	30,586,320
	30,586,320	30,586,320
NATIONAL GOVERNMENT DISBURSEMENTS	8,925,302,703	8,862,419,593
TOTAL REVENUE	12,534,448,384	11,998,150,072

2. TOTAL LOCAL REVENUE COLLECTED 17-18

REVENUE	ANNUAL BUDGETED	GRAND TOTALS.
	AMOUNT	
		KSHS.
COUNTY PLANNING, LAND AND HOUSING		
Land Rates Current Year	343,040,877	17,784,632
Land Rates Penalties	106,017,318	27,843,272
Land Rates Other Years	88,081,444	686,614,282
Other Property Charges	2,022,608	16,904
Ground Rent - Current Year	3,651,086	157,162
Ground Rent - Other Years	904,907	614,451
Administration Cost	10,285,078	0
Other Property Income	554,003,318	733,030,703
	0	0
COUNTY ASSEMBLY	0	0
County Plants & Equipment Hire	81,946	3,000
	0	0
COUNTY EXECUTIVE	0	0

REVENUE	ANNUAL BUDGETED	GRAND TOTALS.
Document Search Fee	1,093,442	184,300
Sales of County's Minutes / Bylaws	14,459	2,000
	0	0
Valuation & Survey Fees	3,033,911	450,000
Document Search Fee	0	4,500
Plot Transfer Fee	3,473,712	431,200
Provisional Assessment Fees	1,518,167	465,000
Consent to Sub-Lease	108,440	258,500
Technical Division	0	10,000
Beacon Search pointing Fee	1,011,304	125,000
Survey Fee	4,066,520	47,500
Subdivision & Consolidation Fees	6,105,818	3,119,500
Change of User	2,869,156	2,400,000
Temporary Occupation License (TOL)	3,018,262	62,000
Impounding charges	144,587	803,705
Dog Licenses	524,130	190,000
Storage Fee	3,515,280	162,000
Training/Learning Center Fee	1,897,710	0
Debts Clearance Certificate Fee	43,837,086	3,619,000
Refund of Over Payment	18,935,850	202,679
Consent to Charge Fee/Property certification Fee (Use as collateral)	571,120	206,800
Incidental Charges	2,905,022	0
Imprest	773,306	886,284
Other Property Charges	166,841,237	3,411,100
Sand, Gravel, and Ballast Extraction Fees	624,568,509	686,947,672
Incidental Charges	18,073	76,000
Tender Documents Sale	2,729,087	10,000
Hotel Levy	42,306,810	19,676,690
Stadium Hire	922,680	10,000
Stadium Entrance Fee	1,384,020	0
Social Hall Hire	2,787,240	934,000
Hire of County Grounds	888,363	89,000
Digging poles	8,606	0
Emptying cesspits Septic Soakage Pits	7,745	0
Sewer Connection Charge	6,024	0
Sewer Use Charge	258	0
County Vehicles Hire	104	0
Fire Inspection Fees	34,050,328	7,000
Hearse Services Fee	504,249	0
Fire-Fighting Services	1,498,287	5,646,200

REVENUE	ANNUAL BUDGETED	GRAND TOTALS.
Hoarding & Scaffolding Charges	2,175,136	9,600
Occupational Permits	11,504,908	0
Buildings Plan Preparation Fee	167,750,371	2,927,248
Buildings Plan Approval Fee	25,322,546	73,470,776
Buildings Inspection Fee	10,538,797	0
Demolition of Structures	2,218,694	381,000
Receipts from Administrative Fees and Charges	1,197,531,300	775,046,024
TRADE ENERGY AND INDUSTRY		
Business Permits, Current Year	250,178,797	497,537,563
Business Permits Late Payment Penalties, Current Year	8,379,693	1,000
Business Permits, Other Years (Including Penalties)	800,796	2,932,030
Business Subletting / Transfer Fee	1,258,279	158,000
Business Permits / Cesses	260,617,565	500,628,593
COUNTY PLANNING, LAND AND HOUSING		
Plot Transfer Fee	1,199,171	66,300
Document Search Fee	108,440	6,000
Allottees Documents	0	42,900
Instalment Fee (HDD Scheme)	3,412,353	157,669
Annual Ground Rent (HDD Scheme)	4,080,600	3,310,378
Plots Charges (HDD Scheme)	77,385,764	12,117,513
Survey Fee	1,355,507	0
Plot Rents	87,541,835	15,700,760
0302-02-05 Mackinnon Market		
Market Stalls Rent	15,767,774	3,291,480
0302-03-05 Makupa Market	0	0
Market Stalls Rent	7,763,346	1,486,184
0302-04-05 Mombasa Wholesale market	0	0
Market Entrance / Gate Fee	108,146,878	8,835,409
Market Stalls Rent(Rental store w/s mkt)	0	5,526,129
Off loading	7,384,077	1,846,941
Hawking Fee	105,383,506	17,987,038
0302-05-05 Magongo Market	0	0
Market Stalls Rent	7,322,218	1,246,590
0302-06-05 Likoni Open Air Market	0	0
Market Stalls Rent	2,680,111	117,200
0302-07-05 Port Tudor, Kongowea & Likoni Market	0	0
Market Stalls Rent	559,104	174,100
0302-08-05 Segal Market	0	0
Market Stalls Rent	7,435,064	1,593,319
0302-09-05 Chaani Open Air Market	0	0
Market Stalls Rent	9,012,355	669,000

REVENUE	ANNUAL BUDGETED	GRAND TOTALS.
0302-10-05 Mikindani Market	0	0
Market Stalls Rent	4,436,931	647,450
0302-11-05 Mwembe Tayari Market	0	0
Market Stalls Rent	7,027,277	1,453,315
0302-12-05 Kisauni Retail Stall Market	0	0
Market Stalls Rent	21,256,231	4,681,875
Market Stalls Rent	4,434,366	0
Sales of Market Establishments	308,609,238	49,556,030
TRANSPORT,ROADS AND INFRASTRUCTURE	0	0
Drainage Certificate Charges	3,583,744	24,200
Road Cutting Application Fees	5,701,380	318,050
Other Vehicles Enclosed Park Fees (Cars, lorries, etc)	3,855,855	2,417,025
Street Parking Fee	12,909,435	232,383,723
Towing Fee.	72,504	0
TLB Matatu Levy	473,978,397	171,487,077
Right-of-Way / Way-Leave Fee (KPLN, Telkom, etc)	10,317,278	65,277,620
Vehicle Parking Fees	510,418,593	471,907,695
COUNTY PLANNING,LAND AND HOUSING	0	0
Housing Estates Monthly Rent	167,620,942	68,379,535
Housing	167,620,942	68,379,535
WATER,ENVIRONMENT AND NATURAL RESOURCES	0	0
Decorations Adverts on Vehicle	29,893,562	34,100
Document Search Fee	0	3,500
Sign Boards & Advertisement Fee	204,046,496	101,811,421
Game and Nature Park Fees	0	0
Horticulture Consultation Fee	0	216,700
0703-06-05 Cemeteries	0	0
Cemeteries Charges	643,414	187,200
0703-14-05 Refuse Disposal (Nguu Tatu)	0	0
Garbage Dumping Fee	50,164,592	2,233,500
Refuse Collection Fee	6,931,158	322,500
Encroachment	14,639,475	0
Removal Fees (Adverts, barriers, poles etc)	0	0
Environment and Conservancy Administration	306,318,697	104,808,921
Hire of School Fields	108,440	10,000
Tuition Fees Public Nursery	1,011,305	0
Other Education Related Fees	1,119,745	10,000
COUNTY HEALTH	0	0
Medical Examination	233,849	0
Sundry Income	0	488,551

REVENUE	ANNUAL BUDGETED	GRAND TOTALS.
0702-07-05 Mainland Dispensaries	0	0
Cost Sharing Services	597,231	0
0702-09-05 Magongo Health Centre	0	0
Cost Sharing Services	56,350	0
0702-10-05 Mvita Clinic	0	0
Cost Sharing Services	66,231	0
0702-12-05 Old County Dispensary	0	0
Cost Sharing Services	25,253	0
0702-13-05 Kongowea Health Centre	0	0
Cost Sharing Services	16,357	124,021
Premises Inspection Fees	0	399,247,135
0702-14-05 Bamburi Health Sub-Centre	0	0
Cost Sharing Services	20,928	0
0702-15-05 Chaani Dispensary	0	0
Cost Sharing Services	11,418	0
0702-16-05 Mikindani Health Dispensary	0	0
Cost Sharing Services	85,860	0
0702-17-05 Ganjoni C.D. Centre	0	0
Cost Sharing Services	1,665,874	0
0702-19-05 Public Health Offices	0	0
Inoculation Fee	8,492,814	0
Medical Clearance Certificate Fees	1,185,343	0
0702-20-05 Public Health Inspectorate	0	0
Food Preparation Premises Hygenization	73,733,661	0
Services Fee	0	0
Health Inspection Fees	5,153,155	0
Premises Inspection Fees	5,632,878	0
0702-22-05 Shika Adabu Clinic	0	0
Cost Sharing Services	2,970	0
0702-23-05 Mtongwe Clinic	0	0
Cost Sharing Services	5,696	0
0702-24-05 Majengo Clinic	0	0
Cost Sharing Services	5,320	0
0702-26-05 Mwembe Tayari Clinic	0	0
Cost Sharing Services	6,153	0
0702-27-05 Ganjoni Clinic	0	0
Cost Sharing Services	3,075,472	0
0702-30-05 Kisauni Clinic	0	0
Cost Sharing Services	3,097	0
0702-31-05 Miritini Clinic	0	0
Cost Sharing Services	3,559	0

REVENUE	ANNUAL BUDGETED	GRAND TOTALS.
0702-32-05 Jomvu Kuu Clinic	0	0
Cost Sharing Services	1,817	0
0702-33-05 Utange Clinic	0	0
Cost Sharing Services	4,810	0
0702-34-05 Maunguja Clinic	0	0
Cost Sharing Services	1,495	0
Other Health and Sanitation Revenues	100,087,589	399,859,707
COUNTY EXECUTIVE	0	0
Court Fines	57,638,430	13,886,011
Cash Bail	57,638,430	2,916,500
Fines Penalties and Forfeitures	115,276,860	16,802,511
COUNTY OWN REVENUE	3,609,145,681	3,168,013,709

REVENUE ANALYSIS FOR 2017/18 FY

11. The County realized Kshs 3,168,013,709 being 88 percent of the budgeted local revenue of Kshs. 3,609,145,681. The total revenue collected was Kshs 12,030,433,302 being 96 percent of the total budgeted revenue of Kshs. 12,513,800,701 of which Kshs 8,862,419,593 was exchequer issues and Kshs 708,419,593 transfers from other National Government entities including budgeted grants and donor funding. Equitable National share amounted to Kshs 8,154,000,000 which was 100 percent of the County allocation.
12. The County has hit the highest in budget implementation at 91 percent which is a 20 percent increase from the previous financial year's budget implementation.
13. The County received Donor Funding from DANIDA of Kshs. 23,261,504 Health Conditional Grants of Kshs. 411,953,618, Road Maintenance Levy Grant of Kshs. 182,073,057, World Bank-KDSP Level 1, Kshs. 49,809,062, World Bank-THUSCP, Kshs. 10,736,032 and a Grant of Kshs. 30,586,320 for Development of Youth Polytechnics.
14. The property income and business permits revenue streams realized more than 100 percent of their budgeted revenues.

Expenditure

15. Total expenditure amounted to Ksh 11,385,383,748 against a target of Ksh 12,513,800,701 representing an under spending of Ksh 1,128,416,953. (or 9 percent deviation from the revised budget). The shortfall was attributed to lower absorption in both recurrent and development expenditures due to unrealized local revenue.
16. Recurrent expenditure amounted to 8.4 billion against a target of Ksh 8.7 billion, representing an under-spending of Ksh 300 million (or 3 percent deviation from the approved recurrent expenditure).
17. Development expenditure was Ksh 3.0 billion compared to a target of Ksh 3.8 billion. This represented an under-spending of approximately Ksh 800 Million (or 22 percent deviation from the approved development expenditure). The underperformance in development expenditure reflects low absorption by Departments; unrealized local revenues, delay in procurement and under reporting of externally funded donor projects.
18. In arriving at the revenues and expenditures above, the cash basis was used and therefore uncollected revenues and pending bills were excluded.

Overall Balance and Financing

19. Reflecting the above performance in revenue and expenditure, the County realized 91 percent of the budgeted amount and had an expenditure of the same percentage. There was an overall fiscal balance of approximately Kshs 700 million. This is the Cashbook balance and may differ from the bank balance due to reconciliation items that is un-credited receipts and un-cleared real time gross settlements (RTGS) and cheques.
20. The County had a fiscal deficit of Kshs. 500 Million to finance.

Implication of 2017/18 fiscal performance on the set financial objectives

In the 2018 CFSP;

21. The performance in the FY 2017/18 has affected the financial objectives set out in the latest CFSP and the Budget for FY 2017/18 in the following ways:

22. The County Government continues to put up stringent measures that ensures that the budget deficit is reduced and adjustments will be made to fiscal aggregates to reflect revisions in the macroeconomic projections as well as revenue performance for the first two quarters of FY 2018/19;
23. The base for revenue and expenditure projections has changed with an increase in total National Government Revenue allocation implying the need for an upward adjustment in the fiscal aggregates for the current budget and the medium-term; and
24. Taking into account the slower pace of execution of the budget by County Departments, The reasons for the deviations, as explained above, from the financial objectives include: lower than projected revenue collection; under-spending in both recurrent and development; under-reporting on donor funding by Departments thus the base line ceilings for spending agencies will be adjusted and then firmed up in the next CFSP 2019.
25. While we expect the economy to remain resilient, our projections remain cautious. We expect Revenue growth to be 10 percent in 2019/20; representing a steady 10 percent revision upwards from the 10 percent projected in the CFSP 2018. This is expected to remain constant for the next two years as we expect to fully realize the projected revenue from the devolved functions .
26. The under-spending in both recurrent and development budget for the FY 2017/18 additionally has implications on the base used to project expenditures in the FY 2018/19 and the medium term. Appropriate revisions have been undertaken in the context of this CBROP, taking into account the budget outturn for the FY 2017/18. The County Treasury will work closely with the implementing Departments to fast track absorption.
27. Notably is the fact that Departments have been taking measures to ensure that they prioritize projects and programs that they are able to implement in the short term which has increased the overall Departmental absorption rate and this trend should be maintained if not improved further.

28. Table 5 and 6 provides comparison between the updated Revenue Projections for the FY 2018/19 and in the medium term.

Revenue Stream	Projected 2018/19	Projected 2019/20	Projected 2020/21
Road maintenance fees	261,914,493	275,010,218	288,760,729
Advertisement income	86,664,188	90,997,397	95,547,267
Parking fees	250,035,581	262,537,360	275,664,228
Fire brigade & ambulance fees	104,572,460	109,801,083	115,291,137
	703,186,722	738,346,058	775,263,361
Plot rent & related charges	19,358,612	20,326,543	21,342,870
Development control income	81,927,203	86,023,563	90,324,741
Structural Submission/Approval Fees	1,505,067	1,580,321	1,659,337
Land rates and related fees	1,005,712,819	1,055,998,460	1,108,798,383
Housing Estates Monthly Rent	59,824,319	62,815,535	65,956,312
Valuation & Survey Fees	30,772,128	32,310,735	33,926,271
	1,199,100,149	1,259,055,156	1,322,007,914
Stadium & Other Playing Fields	5,000,000	5,250,000	5,512,500
Social halls hire	8,400,000	8,820,000	9,261,000
	13,400,000	14,070,000	14,773,500
Legal department fees	1,504,731	1,579,968	1,658,966
General enforcement charges	5,630,146	5,911,654	6,207,236
Court Fines	30,180,981	31,690,030	33,274,532
	37,315,859	39,181,651	41,140,734
Hotel Levy	13,294,404	13,959,124	14,657,080
Sand, Gravel, and Ballast Extraction Fees	637,448,650	669,321,082	702,787,137
Market collection	347,431,080	364,802,634	383,042,766
Business permit fees	513,375,095	539,043,850	565,996,042
	1,511,549,229	1,587,126,690	1,666,483,025
Registration of Child Care Facilities	20,000,000	21,000,000	22,050,000
	20,000,000	21,000,000	22,050,000
Meat Inspection/Permit	2,000,000	2,100,000	2,205,000
Boat Operations	3,400,000	3,570,000	3,748,500
	5,400,000	5,670,000	5,953,500

Revenue Stream	Projected 2018/19	Projected 2019/20	Projected 2020/21
Tender Documents Sale	1,413,164	1,483,822	1,558,013
Financial related income	5,850,277	6,142,791	6,449,930
	7,263,441	7,626,613	8,007,943
Clinic cost sharing charges & Other services	380,000,000	399,000,000	418,950,000
	380,000,000	399,000,000	418,950,000
Total Local Revenue	3,877,215,398	4,071,076,168	4,274,629,977

Table 6: Updated Revenue Projections against CFSP'18 Projections, 2017/18-2019/20

DEPARTMENTS	Actual 2017/2018	Budget 2018/2019	Projected 2019/2020	Projected 2020/2021
RECURRENT			C*0.04	D*0.04
County Executive	378,301,305	382,877,200	403,392,288	419,527,980
County Assembly	525,366,107	610,986,278	658,054,009	684,376,169
Public Service Board	81,523,719	131,749,530	146,377,889	152,233,005
Finance & Economic Planning	1,527,872,242	1,107,521,980	1,029,830,859	1,071,024,093
Environment, Waste Management and Energy	466,677,689	510,208,594	492,507,149	512,207,435
Education, Information Technology & MV 2035	449,027,745	578,507,296	861,158,345	895,604,679
Health Services	3,087,749,268	2,683,387,579	2,710,391,104	2,818,806,748
Water, Sanitation & Natural Resources	69,976,388	137,635,994	148,861,433	154,815,890
Youth, Gender , Sports and Cultural Affairs	149,315,697	230,297,579	394,469,482	410,248,261
Trade, Tourism & Investment	225,143,300	405,456,909	478,875,185	498,030,192
Lands, Housing and Physical Planning	128,732,927	226,404,844	236,776,432	246,247,489
Transport & Infrastructure	462,102,969	468,593,286	538,548,738	560,090,688
Agriculture, Fisheries, Livestock and Co-operatives	137,386,866	232,703,389	222,930,223	231,847,432
Devolution & Public Service Administration	733,379,120	919,794,396	896,155,411	914,078,519
TOTAL	8,422,555,342	8,626,124,854	9,218,328,547	9,569,138,581

DEPARTMENTS	Actual 2017/2018	Budget 2018/2019	Projected 2019/2020	Projected 2020/2021
DEVELOPMENT			C*1.04	D*0.04
County Executive	24,778,518	84,424,673	87,801,660	91,313,726
County Assembly	0	45,773,748	47,604,698	49,508,886
Public Service Board	1,719,035	21,637,280	22,502,772	23,402,883
Finance & Economic Planning	797,585,387	302,447,782	540,537,693	562,159,201
Environment, Waste Management and Energy	53,152,076	410,372,081	60,706,965	63,135,244
Education, Information Technology & MV 2035	55,174,830	244,499,756	398,329,356	414,262,530
Health Services	108,582,448	240,255,554	571,641,776	594,507,447
Water, Sanitation & Natural Resources	27,801,952	767,050,100	379,225,704	394,394,732
Youth, Gender , Sports and Cultural Affairs	194,046,029	1,269,841,602	305,595,266	317,819,077
Trade, Tourism & Investment	3,181,719	95,631,669	141,056,936	146,699,213
Lands, Housing and Physical Planning	159,757,785	221,201,888	471,329,963	490,183,162
Transport & Infrastructure	1,471,482,134	837,855,896	743,294,922	773,026,719
Agriculture, Fisheries, Livestock and Co-operatives	50,402,764	266,591,948	271,015,626	281,856,251
Devolution & Public Service Administration	15,163,728	158,063,060	220,545,582	224,956,494
TOTAL	2,962,828,406	4,965,647,037	4,261,188,919	4,427,225,564

DEPARTMENTS	Actual 2017/2018	Budget 2018/2019	Projected 2019/2020	Projected 2020/2021
TOTAL			C*1.04	D*0.04
County Executive	403,079,824	467,301,873	491,193,948	510,841,706
County Assembly	525,366,107	656,760,026	705,658,707	733,885,055
Public Service Board	83,242,754	153,386,810	168,880,661	175,635,887
Finance & Economic Planning	2,325,457,628	1,409,969,762	1,570,368,552	1,633,183,294
Environment, Waste Management and Energy	519,829,766	920,580,675	553,214,114	575,342,679
Education, Information Technology & MV 2035	504,202,575	823,007,052	1,259,487,701	1,309,867,209
Health Services	3,196,331,716	2,923,643,133	3,282,032,880	3,413,314,195
Water, Sanitation & Natural Resources	97,778,340	904,686,094	528,087,137	549,210,622
Youth, Gender , Sports and Cultural Affairs	343,361,726	1,500,139,181	700,064,748	728,067,338
Trade, Tourism & Investment	228,325,019	501,088,578	619,932,121	644,729,406
Lands, Housing and Physical Planning	288,490,712	447,606,732	708,106,395	736,430,651
Transport & Infrastructure	1,933,585,102	1,306,449,182	1,281,843,660	1,333,117,406
Agriculture, Fisheries, Livestock and Co-operatives	187,789,630	499,295,337	493,945,849	513,703,683
Devolution & Public Service Administration	748,542,848	1,077,857,456	1,116,700,993	1,139,035,013
TOTAL	11,385,383,748	13,591,771,891	13,479,517,466	13,996,364,145

Updated Expenditure Projections against CFSP'18 Projections, 2018/19-2020/21

29. Given the above deviations, the revision in revenues and expenditures will be based on the revised assumptions contained in this CBROP and which will be firmed up in the context of the next CFSP. The CG will not deviate from the fiscal responsibility principles, but will make appropriate modification to the CFSP 2019, the financial objectives contained in the latest CFSP, to reflect the changed circumstances.
30. The County Government has automated revenue collection in most sources to reduce spillage, improved efficiency and effectiveness and thus increase revenue collection. In addition, we also expect stability in interest rates and exchange rates as a result of the National Government policies to promote access to credit for private sector and boost investments and consumption thus stimulating growth.
31. Domestically, the economy continues to be exposed to risks arising from adverse weather conditions until the mitigating measures of food security under “The Big Four” Plan are put in place. Additional risks could emanate from public expenditure pressures especially on the recurrent expenditures and ensuring that the projected revenue projections is achievable to aid in budget deficit reduction .

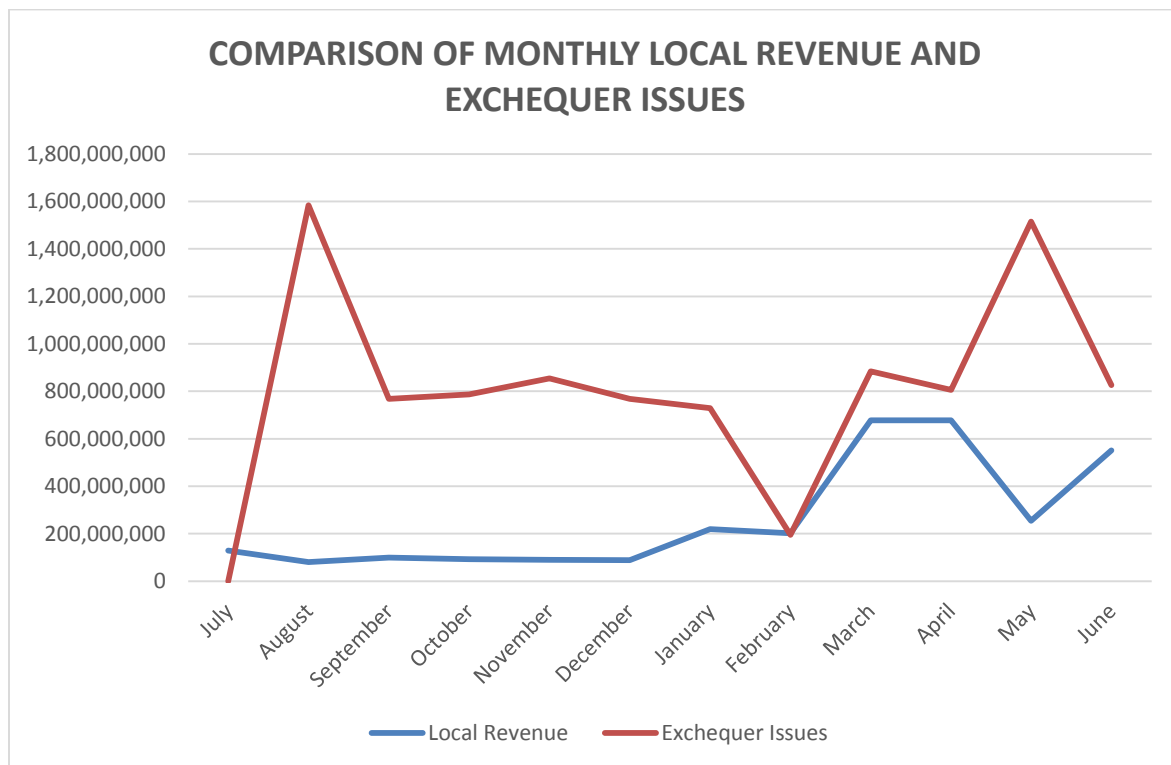
V. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

32. The Kenyan economy is on a recovery path and is projected to recover to 6.0 percent in 2018, an upward revision from the earlier projection of 5.8 percent in the 2018 Budget Policy Statement. This strong growth momentum is reflected in the strong growth of 5.7 percent in quarter one of 2018 compared to a growth of 4.8 percent in the same quarter in 2017.
33. The outlook is supported by a pickup in agricultural and manufacturing activities due to improved weather conditions as well as the stable macroeconomic environment, ongoing public infrastructural investments and regain in business and consumer confidence following political stability in the country.
34. Kenya continues to be ranked favorably in the ease of doing business and as a top investment destination and this will have a positive effect in the County's economy as its one of the major tourist destination.
35. The economy continues to register macroeconomic stability with low and stable interest rates and competitive exchange rate to support exports. The overall year on year inflation fell to 4.0 percent in August 2018 from 8.0 percent in August 2017, thereby remaining within the 5.0 percent medium term target set by Government. This decline reflected a decrease in food prices which outweighed the rise in international oil prices.

Recent Economic Developments

36. Growth in local revenue remained resilient, with the collection being realized in the last two quarters with the highest collection being in March and June. The Exchequer issues were steady throughout the financial year.
37. On the development front in infrastructure, the movement of goods and people around the country has been made cheaper and more effective through expansion of most roads, seaports and airports. On the Standard Gauge Railway (SGR), the Government completed the construction of Phase 1 (Mombasa - Nairobi) in 2017. The railway has significantly reduced transportation costs and eased the movement of people and goods from Nairobi to Mombasa, there has also been reduction in traffic congestion to and from the port area although unfortunately there has been some negative impact due to loss of livelihoods for some transporters who have had to close their businesses .

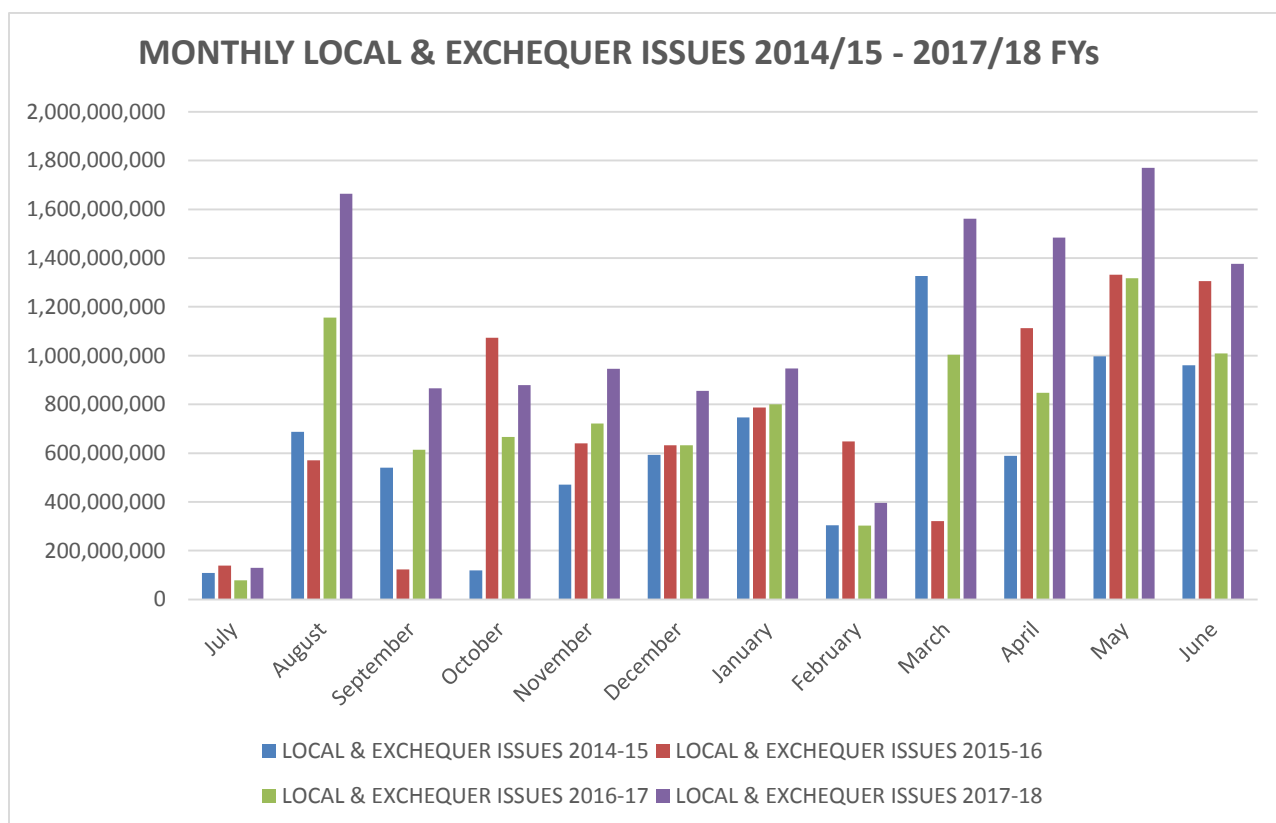
38. On the blue economy, the Government targets to significantly expand fishing to 18,000 metric tonnes of fish annually from the current 2,500 metric tonnes. To facilitate the development of the blue economy, the Government will strengthen enforcement measures to curb illegal fishing activities along Kenya's Indian Ocean territory; suspend the fishing licenses of all international trawlers operating in Kenya's territorial waters until they comply with the local input requirement; clean up the ocean; and enhance processing before export to improve value of fish and marine products and remove structural bottlenecks in the sector.
39. In addition to the above measures, the Government will continue to develop industrial infrastructure such as Export Processing Zones (EPZs), Special Economic Zones (SEZs) and industrial parks across the country. More specifically the establishment of the Dongo Kundu SEZs and infrastructures. The County is currently undertaking the CBD facelift while implementing the 2018 Beautification Act which will ensure the CBD and the environs are upgraded, well maintained and greened.



Growth in Revenue remains resilient but downside risks remain

MONTHLY GRAPHICAL COMPARISON FOR LOCAL & EXCHEQUER ISSUES FOR THE FY 2014/15-2017/18

Month	LOCAL & EXCHEQUER ISSUES 2014-15	LOCAL & EXCHEQUER ISSUES 2015-16	LOCAL & EXCHEQUER ISSUES 2016-17	LOCAL & EXCHEQUER ISSUES 2017-18
July	107,993,724	138,888,662	78,327,409	726,919,531
August	687,653,187	569,934,955	1,155,330,121	79,974,633
September	540,354,170	123,410,370	614,169,921	572,245,325
October	118,510,601	1,072,735,887	666,800,635	91,999,794
November	471,021,588	639,916,751	722,067,323	1,087,117,176
December	592,447,889	632,492,033	631,961,413	931,127,740
January	746,732,473	787,407,998	799,675,647	1,084,658,019
February	304,617,946	648,325,175	303,286,028	885,758,740
March	1,326,042,828	320,614,826	1,003,791,146	1,390,148,888
April	588,638,411	1,112,119,278	847,054,039	755,912,531
May	997,341,675	1,331,613,343	1,316,671,337	1,078,311,363
June	959,935,772	1,305,827,907	1,008,792,061	3,337,376,949



GRANTS DISBURSED TO THE COUNTIES FROM 2013/14- 2017/18 FINANCIAL YEARS

Details	2013-14	2014-15	2015-16	2016-17	2017-18	Total
Level5 Hospital Grant	414,381,658	209,605,198	402,910,857	369,942,197	388,439,306	1,785,279,216
Leasing of medical Equipment Grant			35,125,117	35,823,495		70,948,612
user fees forgone			21,896,682	23,514,312	23,514,312	68,925,306
Free Maternal Health Care Grant			98,447,500	125,722,505		224,170,005
DANIDA		3,920,000		3,150,000	23,261,504	30,331,504
World Bank-KDSP Level 1					49,809,062	49,809,062
World Bank					10,736,032	10,736,032
Development of Youth Polytechnics					30,586,320	30,586,320
Road maintenance levy Grant			33,345,423	33,345,423	182,073,057	248,763,903
	TOTAL	213,525,198	591,725,579	591,497,932	708,419,593	2,519,549,960

40. Revenue remained constant in the second quarters in the FY 2017/18 and steady increase in all the three FYs. In the third quarter in the three financial years there was a rise in revenue collection attributed highly by the renewal of the single business permits (SBP). Notable is the drastic increase in the budget implementation from 71 percent to 91 percent which is record high.

Macroeconomic Outlook and Policies

Global Growth Outlook

41. Global economic activity continues to firm up with output strengthening by 3.7 percent in 2017 from 3.2 percent in 2016, supported by notable improvements in investment, trade, and industrial production, coupled with strengthening business and consumer confidence. This growth momentum is expected to reach 3.9 percent in 2018 and 2019, reflecting improving domestic demand in advanced economies and China, accommodative financial conditions and improved performance in other emerging market economies. In addition, the partial recovery in commodity prices should allow conditions in commodity exporting countries to gradually improve.
42. Growth in emerging market and developing economies is expected to increase further from 4.7 percent in 2017 to 4.9 percent in 2018 and 5.1 percent in 2019 reflecting improved prospects for commodity exporters after three years of very weak economic activity.

43. Similarly, growth in Sub-Saharan Africa is projected to pick up to 3.4 percent in 2018 from 2.8 percent in 2017, albeit with variations across the region. At the sub region, the East African Community economies continue to record relatively higher economic growth supported by a stable macroeconomic environment, on-going infrastructure investments and strong private consumption.
44. On the domestic scene, the economy is on a recovery path as reflected by the leading economic indicators for the second quarter of 2018 and the strong growth of 5.7 percent in quarter one of 2018 compared to a growth of 4.8 percent in the same quarter in 2017.
45. The economic outlook is supported by continued strengthening of the global economy, a pickup in agricultural and manufacturing activities due to improved weather conditions as well as the stable macroeconomic environment, ongoing public infrastructural investments and regain in business and consumer confidence following political stability in the country.
46. Given the above developments the growth outlook for 2018 has been revised upward to 6.0 percent from the 5.8 percent as earlier projected in the 2018 Budget Policy Statement (BPS).
47. Going forward in terms of fiscal years, the economic growth is projected at 6.2 percent in the FY 2019/20 and 6.9 percent over the medium term due to investments in strategic areas under the “Big Four” plan, namely: increasing the share of manufacturing sector to GDP to 15 percent by 2022; ensuring all citizens enjoy food security and improved nutrition by 2022; expanding universal health coverage; and constructing at least five hundred thousand (500,000) affordable housing units by 2022. These efforts will support the business environment, create jobs and ultimately promote broad based inclusive growth.
48. The growth in these economies therefore will be supported by internal factors including strengthening institutional frameworks, protecting trade integration, permitting exchange rate flexibility, and containing vulnerabilities arising from high current account deficits and external borrowing as well as large public debt.

Monetary Policy Outlook

49. Overall month on month inflation has been below the 5.0 percent target for the first eight months of 2018. However, higher domestic fuel prices due to the recent increase in international oil prices, and the impact of the excise tax indexation on prices of some of the CPI items are expected to exert moderate upward pressure on inflation in the near term.
50. Nevertheless, overall inflation is expected to remain within the target range mainly due to expectations of lower food prices reflecting favorable weather conditions and the continued prudent monetary policy measures that will moderate demand-driven inflationary pressures. Further, the stability of the Kenya exchange rate will reinforce the price stability objective and keep inflation within the Government target range in the remainder period of the fiscal year and in the medium term.
51. The main risks to inflation remain adverse weather that affects agricultural production and their prices, and potential volatility in international oil prices.
52. The close coordination of fiscal and monetary policies will continue delivering on price stability and reduction in cost of doing business in the country.

Growth prospects

53. The economy remained resilient in 2017 and grew by 4.9 percent compared with a revised growth of 5.9 percent in 2016, supported by the strong performance in the nonagricultural sector relative to the decline in the agricultural sector. In the first quarter of 2018, the economy recovered and grew by 5.7 percent compared to a growth of 4.8 percent in the same quarter in 2017. This growth was mainly attributed to improved weather conditions and regain in business and consumer confidence following political stability in the country and is reflected in the increased activities in both the agricultural and non-agricultural sectors of the economy
54. Agricultural sector improved to a growth of 5.2 percent in the first quarter of 2018 compared to a growth of 1.0 percent in a similar quarter in 2017. The improved growth was as a result of favourable weather conditions that increased production of key food crops and livestock products especially in the dairy subsector. Similarly, production of tea and horticultural crops improved during the period and mitigated the impact of the decline in the production of coffee thereby anchoring the growth in the exports subsector. The contribution of Agricultural sector to overall GDP growth was at 1.3 percentage points in

the first quarter of 2018, an improvement from the 0.3 percentage points in the same quarter in 2017.

55. The Non-agricultural sector (service and industry) remained vibrant and grew by 6.0 percent in the first quarter of 2018 compared to a growth of 6.4 percent in a similar quarter in 2017. It has the largest percentage points to real GDP growth at 3.8 percentage points mainly supported by the service sector.
56. Services remain the main source of growth. It grew by 6.5 percent in the first quarter of 2018 compared to a growth of 6.9 percent in the same quarter in 2017. The service sector was supported by improved growth in wholesale and retail trade (6.3 percent), real estate (6.8 percent) and public administration (4.7 percent). Growth of activities in information and communication (12.0 percent) and accommodation and restaurant (13.5 percent) sectors remained vibrant despite the slowdown relative to the same quarter in 2017.
57. The slowdown of services sector in the first quarter of 2018 was mainly reflected in the subdued performance of the financial and insurance sector on account of significantly constrained growth in financial activities. Transportation and storage sector also had a subdued performance due to a rise in the prices of petroleum products. Services contributed 3.1 percentage points to real GDP growth in the first quarter of 2018 largely supported by the Real Estate (0.6 percentage points) and information and communication (0.5 percentage points).
58. The performance of Industry improved to a growth of 4.1 percent in the first quarter of 2018 compared to a growth of 3.9 percent in the same quarter in 2017 following increased activities in the manufacturing sector. The improvement in the manufacturing sector was as a result of the recovery of the Agricultural sector. Activities in electricity and water supply and construction slowed down compared to the same quarter in 2017. However, industry accounted for 0.7 percentage points to growth largely driven by the Construction Sector which contributed 0.4 percentage points.
59. Domestically, the economy is exposed to risks including any occurrence of adverse weather conditions, public expenditure pressures especially recurrent expenditures pose a fiscal risk and any inefficiency in spending government resources that may lower impact of development expenditure.

60. Improvement in the investment climate, security coupled with further structural and legal reforms are expected to improve competitiveness of the private sector, revamp tourism sector thus promote overall productivity in the economy and thus increase the County's own revenue.
61. The CG recognizes that further stringent measures needs to be put in place to ensure scaling up of revenue collection and mobilization of resources and more efficient production structure. The CIDP 2018-22 has articulated key priority measures to accelerate growth, taking into account limited public resources and increased service delivery for improved livelihoods.

Inflation Outlook

62. Month-on-month overall inflation fell to 4.0 percent in August 2018 from 8.0 percent in August 2017, thereby remaining within the 5.0 percent medium term target set by Government. This decline reflected lower prices of key food items such as carrots, loose maize grain, loose maize flour, tomatoes, cabbages, and beans. However, energy prices continued to exert upward pressure on overall inflation due to higher fuel and electricity prices. In the twelve month to August 2018, the average annual inflation rate was at 4.7 percent compared to 8.3 percent in the same period in 2017.
63. Kenya's rate of inflation compares favorably with the rest of sub-Saharan African countries and especially its peers such as Nigeria and Ghana whose inflation rates were 11.2 percent and 9.9 percent, respectively in August 2018.
64. The Kenya Shilling exchange rate remained broadly stable and competitive against major international currencies. Against the dollar, the exchange rate strengthened to Ksh 100.6 in August 2018 from Ksh 103.6 in August 2017. Against the Euro and the Sterling pound, the Shilling also strengthened to Ksh 116.2 and Ksh 129.7 in August 2018 from Ksh 122.2 and Ksh 134.2 in August 2017, respectively.

Medium Term Fiscal Framework

65. The County Government will continue to pursue prudent fiscal policy to assure stability. In addition, our fiscal policy objective will provide an avenue to support economic activity while allowing for sustainable public finances. As such, the CG is committed to a gradual reduction in the debts. This will help to bring down the debt-to-revenue ratio to well below 15 percent and contribute to reducing pressure in expenditure and to provide adequate cushion against unforeseen events.
66. Fiscal policy will continue to support County development economic activities while providing platform for the implementation of the CIDP within a context of sustainable public financing. Over the last one year, the County Government has reoriented expenditure towards priority programmes in Health, Youth, Gender and Sports, Education, Transport and Water Infrastructure and Lands under the medium-term expenditure framework (MTEF). This process will be strengthened in the FY 2019/20 by encouraging more private-sector engagement in order to build concrete public private Partnership in pursuit of new economic opportunities.
67. With respect to revenue, the CG will maintain a strong revenue effort at 20 percent of Revenue Growth over the medium term. Measures to achieve this effort include simplification of the Revenue codes in line with international best practices and improved fees and charges collection with enhanced administrative measures. In addition, the CG will rationalize existing fees and charges incentives, expand the income base and remove exemptions as envisaged in the Constitution.
68. On the expenditure side, the CG will continue with rationalization of expenditure to improve efficiency and reduce wastage. Expenditure management will be strengthened with implementation of the Integrated Financial Management Information System (IFMIS) across Departments. Above all, the new PFM Act, 2012 is expected to accelerate reforms in expenditure management system.
69. The county will continue reorienting expenditure towards those priority programmes as identified in public consultative forums. The critical programmes to be implemented are expected to accelerate economic activities and socio-economic development.

Risks to the Outlook

70. The high wage bill continues to be a major challenge in the implementation of the budget. Currently in the 2018/19 financial year the personnel emoluments stands at 39% of the overall county budget which is 4% way above the statutory requirement of 35%. The County Government inherited staff from the national government in addition to the staff from the defunct Local authority. The frequent salary increment for various cadres of staff continues to increase the already bloated wage bill.
71. The County major Departmental restructuring in terms of personnel and functions continues to affect the Outlook. Deliberate interventions are being put in place to increase the revenue collection, strengthen controls and seal revenue leakages. Key among these strategies includes automation of processes, integration and digitization of data, collection of high quality data and a mapping of the various revenue sources.
72. Non timely disbursement of funds by the national government will be another challenge as this could lead to disruption in the activities of the County and compromise service delivery.
73. Looking ahead, due to revenue shortfalls, the ever increasing pending bills and a high wage bill, continues to pose a threat of a budget deficit. Systems are being put in place to improve local revenue performance following revenue collection reforms and moderation in recurrent expenditure, so as to increase the revenue bases and the fiscal position in the medium term.
74. In the event, the above risks materialize; the Macro Framework and the Medium Term Sector Ceilings shall be revised in the 2019 Fiscal Strategy Paper.

VI. RESOURCE ALLOCATION FRAMEWORK

A. Adjustment to 2018/19 Budget

75. Given the performance in 2017/87 and the updated fiscal outlook, the risks to the FY 2018/19 budget include lack of realization of the projected local revenue which will hinder the full implementation of the budget. Expenditure pressures with respect to salary demands.
76. In addition, implementation pace in the spending units continues to be a source of concern especially with regard to the development expenditures and uptake of external resources. These risks will be monitored closely and the CG would take appropriate measures in the context of the Supplementary Budget.
77. Adjustments to the 2018/19 budget will take into account actual performance of expenditure so far and absorption capacity in the remainder of the financial year because of the resource constraints, the Government will rationalize expenditures by cutting those that are non-priority. These may include slowing down or reprioritizing development expenditures and increased budgeting for debt resolution.
78. Any review of salaries and benefits for the personnel continues to be conducted by the Salaries and Remunerations Commission (SRC) in accordance with Article 230 of the Constitution and Regulations.
79. On the Revenue side, the County Treasury is expected to institute corrective measures to curb the revenue leakages. Options could include enhanced compliance and automation.
80. Departments are expected to prioritize their expenditure and reallocate funds as per their expenditure during the preparation of the supplementary budget guided by the resource availability.

B. Medium-Term Expenditure Framework

81. Going forward, and in view of the limited resources, MTEF budgeting will entail adjusting non-priority expenditures to cater for the priority sectors. In the Meantime, the resource allocation will be based on the Annual Development Plan and the Fiscal Strategy Paper.
82. The priority social sectors will continue to receive adequate resources in the budget and are required to utilize the allocated resources more efficiently to generate fiscal space to accommodate other strategic interventions in their sectors.
83. The priority programmes to be implemented in the 2019/20 are expected to accelerate economic activities and socio-economic development through;
- a) Increased accessibility to water
 - b) Improved health services
 - c) Provision of quality education
 - d) Youth, Sports & Gender empowerment
 - e) Improved Land Services and investing in infrastructure development.
84. The composition of expenditure will focus on productive capital projects and priority commitments, while protecting budgetary allocations to social sectors, namely; education, health and social protection. The FY 2019/20 MTEF Budget will therefore focus on the following; Employment creation and youth empowerment, improving infrastructure connectivity across the country; Enhancing social welfare programmes in health, education and social protection. The resources earmarked for strategic interventions in the areas of social welfare and youth empowerment will be ring-fenced over the medium term.
85. Reflecting the above medium-term expenditure framework, the tables below provides the tentative projected baseline ceilings for the 2019 MTEF, classified by Departments.

Medium Term Sector Ceiling 2017/18 - 2020/21, Ksh Million

DEPARTMENTS	Actual 2017/2018	Budget 2018/2019	Projected 2019/2020	Projected 2020/2021
RECURRENT			C*0.04	D*0.04
County Executive	378,301,305	382,877,200	403,392,288	419,527,980
County Assembly	525,366,107	610,986,278	658,054,009	684,376,169
Public Service Board	81,523,719	131,749,530	146,377,889	152,233,005
Finance & Economic Planning	1,527,872,242	1,107,521,980	1,029,830,859	1,071,024,093
Environment, Waste Management and Energy	466,677,689	510,208,594	492,507,149	512,207,435
Education, Information Technology & MV 2035	449,027,745	578,507,296	861,158,345	895,604,679
Health Services	3,087,749,268	2,683,387,579	2,710,391,104	2,818,806,748
Water, Sanitation & Natural Resources	69,976,388	137,635,994	148,861,433	154,815,890
Youth, Gender , Sports and Cultural Affairs	149,315,697	230,297,579	394,469,482	410,248,261
Trade, Tourism & Investment	225,143,300	405,456,909	478,875,185	498,030,192
Lands, Housing and Physical Planning	128,732,927	226,404,844	236,776,432	246,247,489
Transport & Infrastructure	462,102,969	468,593,286	538,548,738	560,090,688
Agriculture, Fisheries, Livestock and Co-operatives	137,386,866	232,703,389	222,930,223	231,847,432
Devolution & Public Service Administration	733,379,120	919,794,396	896,155,411	914,078,519
TOTAL	8,422,555,342	8,626,124,854	9,218,328,547	9,569,138,581

DEPARTMENTS	Actual 2017/2018	Budget 2018/2019	Projected 2019/2020	Projected 2020/2021
DEVELOPMENT			C*1.04	D*0.04
County Executive	24,778,518	84,424,673	87,801,660	91,313,726
County Assembly	0	45,773,748	47,604,698	49,508,886
Public Service Board	1,719,035	21,637,280	22,502,772	23,402,883
Finance & Economic Planning	797,585,387	302,447,782	540,537,693	562,159,201
Environment, Waste Management and Energy	53,152,076	410,372,081	60,706,965	63,135,244
Education, Information Technology & MV 2035	55,174,830	244,499,756	398,329,356	414,262,530
Health Services	108,582,448	240,255,554	571,641,776	594,507,447
Water, Sanitation & Natural Resources	27,801,952	767,050,100	379,225,704	394,394,732
Youth, Gender , Sports and Cultural Affairs	194,046,029	1,269,841,602	305,595,266	317,819,077
Trade, Tourism & Investment	3,181,719	95,631,669	141,056,936	146,699,213
Lands, Housing and Physical Planning	159,757,785	221,201,888	471,329,963	490,183,162
Transport & Infrastructure	1,471,482,134	837,855,896	743,294,922	773,026,719
Agriculture, Fisheries, Livestock and Co-operatives	50,402,764	266,591,948	271,015,626	281,856,251
Devolution & Public Service Administration	15,163,728	158,063,060	220,545,582	224,956,494
TOTAL	2,962,828,406	4,965,647,037	4,261,188,919	4,427,225,564

DEPARTMENTS	Actual 2017/2018	Budget 2018/2019	Projected 2019/2020	Projected 2020/2021
TOTAL			C*1.04	D*0.04
County Executive	403,079,824	467,301,873	491,193,948	510,841,706
County Assembly	525,366,107	656,760,026	705,658,707	733,885,055
Public Service Board	83,242,754	153,386,810	168,880,661	175,635,887
Finance & Economic Planning	2,325,457,628	1,409,969,762	1,570,368,552	1,633,183,294
Environment, Waste Management and Energy	519,829,766	920,580,675	553,214,114	575,342,679
Education, Information Technology & MV 2035	504,202,575	823,007,052	1,259,487,701	1,309,867,209
Health Services	3,196,331,716	2,923,643,133	3,282,032,880	3,413,314,195
Water, Sanitation & Natural Resources	97,778,340	904,686,094	528,087,137	549,210,622
Youth, Gender , Sports and Cultural Affairs	343,361,726	1,500,139,181	700,064,748	728,067,338
Trade, Tourism & Investment	228,325,019	501,088,578	619,932,121	644,729,406
Lands, Housing and Physical Planning	288,490,712	447,606,732	708,106,395	736,430,651
Transport & Infrastructure	1,933,585,102	1,306,449,182	1,281,843,660	1,333,117,406
Agriculture, Fisheries, Livestock and Co-operatives	187,789,630	499,295,337	493,945,849	513,703,683
Devolution & Public Service Administration	748,542,848	1,077,857,456	1,116,700,993	1,139,035,013
TOTAL	11,385,383,748	13,591,771,891	13,479,517,466	13,996,364,145

C. Departments Budgets and Programs Prioritization

86. A key challenge in developing the 2019/20 MTEF budget is the allocation of funds to departments. The departments have to manage their own funds and modality of reporting on timely basis instituted.
87. As such, it will be critical to have the CG Departments capacities continuously strengthened in order to enable them perform their assigned functions effectively and efficiently. The key technical Staff need to be deployed and rationalized to streamline the County activities.
88. Extensive work has been done in providing reporting templates and issuance of budget guidelines so as to ensure consistency in reporting and monitoring progress.
89. Operationalization and setting up of a Monitoring and evaluation unit in the Finance and Economic Planning Unit and linking up with the Service delivery unit will lead to a harmonized monitoring and evaluation system in the county.

D. 2019/20 Budget Framework

90. The 2019/20 budget framework is set against the background of the updated medium-term macro-fiscal framework set out above.

Revenue Projections

91. The 2019/20 budget targets local revenue of Kshs 4.1 billion and National Government transfer of 9.9 billion. As noted above, this performance will be underpinned by on-going reforms in revenue policy and revenue administration. As such, total revenue including exchequer issues is expected to be Kshs 14.0 Billion.

Expenditure Forecasts

92. In 2019/20, overall expenditures are projected to be 14.0 Billion

VII. CONCLUSION AND WAY FORWARD

93. The fiscal outcome for 2017/18 together with the updated forecast have had ramification of the financial objectives elaborated in the last CFSP 2018.
94. The FY 2019/20 and the Medium Term budget and fiscal framework projections presented in this CBROP takes into account the expected recovery in the global economy and risks facing our economy such as public expenditure pressures coupled with soaring fuel prices which may reallocate resources from the productive sectors.
95. As such, there is moderate growth in the overall revenue collection and a decline in overall recurrent expenditure as more resources are allocated to development projects. These measures take into account the need to maintain fiscal discipline in all levels of the government for maximum return from public resources.
96. The set of policies outlined in this CBROP reflect the changed circumstances and are broadly in line with the fiscal responsibility principles outlined in the PFM law. They are also consistent with the national strategic objectives pursued by the Government as a basis of allocation of public resources.
97. The policies ensures continuity in resource allocation based on prioritized programs that have been earmarked by the government to accelerate growth, employment creation and poverty reduction.
98. The fiscal outlook presented herein will seek to achieve the objectives outlined in the PFM Act and lay ground for the next financial year in terms of preparing the CBROP and CFSP. Fiscal discipline will be important in ensuring proper management of funds and delivery of expected output. Effective and efficient utilization of funds especially on capacity building on different sectors of the county will be crucial in ensuring that the County gets to deliver on its functions.
99. Other area worth mentioning is the poor connectivity for the operationalization of IFMIS exacerbated by inadequate human capacity and computer hardware to support the systems. Indeed, Mombasa County continued experiencing a high downtime for IFMIS during the

period under review. To solve these challenges, critical user divisions will be given an on-the-job training and the County will utilize optic fiber networks to boost connection.

100. The policies and sector ceilings annexed herewith will guide the Departments in preparation of the 2019/20 budget. The CG should scale down its budget and then increase it gradually over the medium term as it expands its revenue base. The ceilings will form inputs into the next County Fiscal Strategy Paper (CFSP) which will be finalized by February 2019.

ANNEXES

ANNEX 1. COMPARISON OF EXCHEQUER ISSUES AND LOCAL REVENUE COLLECTION BY ON MONTHLY BASIS 2017-2018.

Month	Local Revenue	Exchequer Issues
July	128,948,779	597,970,752
August	79,974,633	0
September	98,958,707	473,286,618
October	91,999,794	0
November	90,326,887	996,790,289
December	88,025,962	843,101,778
January	218,656,932	866,001,087
February	202,052,628	683,706,112
March	677,958,599	712,190,289
April	677,126,092	78,786,439
May	254,091,979	824,219,384
June	551,010,104	2,786,366,845
Total	3,168,013,709	8,862,419,593

To compare Revenue collection between two major sources

ANNEX 2: COMPARISON OF LOCAL REVENUE BETWEEN FY2014/2015 TO FY 2017/2018

MONTH	2014/2015	2015/2016	2016/2017	2017/2018
JULY	104,030,972	138,888,662	78,327,409	128,948,779
AUGUST	93,759,799	121,870,568	138,978,980	79,974,633
SEPTEMBER	95,400,916	123,410,370	134,037,320	98,958,707
OCTOBER	116,757,916	115,703,161	160,474,776	91,999,794
NOVEMBER	102,318,612	122,057,894	183,999,072	90,326,887
DECEMBER	191,916,082	115,254,598	151,828,812	88,025,962
JANUARY	336,767,628	337,339,057	321,392,757	218,656,932
FEBRUARY	346,773,579	200,260,788	303,286,028	202,052,628
MARCH	413,101,785	308,215,252	469,422,317	677,958,599
APRIL	211,331,816	612,075,951	365,071,728	677,126,092
MAY	143,751,841	376,582,733	328,912,588	254,091,979
JUNE	335,744,384	371,871,652	530,509,174	551,010,104
TOTAL	2,491,655,330	2,943,530,686	3,166,240,961	3,168,013,709

To Compare Local Revenue between four fiscal years

**ANNEX 3: COMPUTATION OF MONTHLY LOCAL AND EXCHEQUER
ISSUES FOR 2017/2018 FY**

Month	Local Revenue	Exchequer Issues	Total Monthly Revenue
July	128,948,779	597,970,752	726,919,531
August	79,974,633	0	79,974,633
September	98,958,707	473,286,618	572,245,325
October	91,999,794	0	91,999,794
November	90,326,887	996,790,289	1,087,117,176
December	88,025,962	843,101,778	931,127,740
January	218,656,932	866,001,087	1,084,658,019
February	202,052,628	683,706,112	885,758,740
March	677,958,599	712,190,289	1,390,148,888
April	677,126,092	78,786,439	755,912,531
May	254,091,979	824,219,384	1,078,311,363
June	551,010,104	2,786,366,845	3,337,376,949
Total	3,168,013,709	8,862,419,593	12,030,433,302

To compare total monthly revenue